

Organizations that qualify as exclusively religious, charitable, or educational can apply to the Illinois Department of Revenue to obtain tax exemption identification (an "E" number) numbers. These numbers establish that the Department recognizes said organizations as exempt from incurring Use Tax when purchasing tangible personal property in furtherance of their organizational purposes. See 86 Ill. Adm. Code 130.2007. (This is a GIL).

September 23, 1999

Dear Ms. Xxxxx:

This letter is in response to your letter dated August 26, 1999 to the Director of Revenue. Director Bower has asked that I respond to your inquiry. The nature of your letter and the information you have provided require that we respond with a General Information Letter, which is designed to provide general information, is not a statement of Department policy and is not binding on the Department. See 2 Ill. Adm. Code 1200.120(b) and (c), enclosed.

In your letter, you have stated and made inquiry as follows:

In October of last year, I wrote to you concerning my recent tax audit and made mention of my positive experience with PERSON and the manner in which she dealt with me. At that time you responded with a very nice note of appreciation. I thank you for your response.

I need to address a matter that is of extreme frustration to myself and my employees, often on a daily basis. It concerns our customers, mostly teachers, requesting that their purchases be tax exempt. At the time of our sales tax audit, I understood that our policy was correct in requiring all those authorized to purchase tax exempt to present a tax exempt letter and/or exempt number each and every time they visit our store and make a purchase. I understood that for us to keep their information on file and not require customers to show proof was insufficient. Our policy maintains that not just anyone should be allowed a tax exempt purchase just by the mere mention of it. My reason for contacting you? Our customers are telling us that our teacher store competitors keep tax exempt #'s on file and do not require them to present any type of letter or authorization # at time of purchase. They claim that all they have to do is mention their school or organization. Due to this, we are getting a lot of resistance. We've also had comments that we're an inconvenience and that they'll not shop with us again!

Hopefully you understand my dilemma. If I'm in the wrong, I need to make a change very quickly so as not to offend anyone else. If my competitors know something that I don't know, then shame on me for being so difficult. If in fact I'm in the right, would it be too much

to ask you to please write me a letter that I can share in a most difficult situation with that 'very special' customer?

Thank you for taking time to listen. I look forward to hearing from you soon.

As you know, organizations that qualify as exclusively religious, charitable, or educational can apply to the Illinois Department of Revenue to obtain tax exemption identification (an "E" number) numbers. These numbers establish that the Department recognizes said organizations as exempt from incurring Use Tax when purchasing tangible personal property in furtherance of their organizational purposes. See 86 Ill. Adm. Code 130.2007. Sales to governmental bodies are subject to tax unless the governmental body has obtained an active exemption identification number ("E" number) from the Department. See 86 Ill. Adm. Code 130.2080, attached.

Companies selling tangible personal property to these exempt organizations or to governmental bodies must be provided with an "E" number for sales to such organizations or governmental bodies to be tax exempt, unless another exemption can be documented.

It is important to note that only sales of tangible personal property invoiced to the exempt organization or governmental body itself are exempt. Sales made to an individual are subject to tax.

Individual members of exempt organizations or governmental bodies who purchase items of tangible personal property with their own funds and are then reimbursed by the exempt organization cannot purchase the items tax-free. As noted above, the sale must be made to the exempt organization or governmental body, and the "E" number can only be used in making purchases in furtherance of organizational purposes.

Your specific question concerns your policy of requiring a copy of the exemption letter for each and every purchase. Requiring a copy of the exemption letter for each purchase is not legally required if you already have the E number in your records and certain conditions are satisfied. However, a seller must ascertain the validity of the E numbers at the time of the sales transactions. These E numbers are valid for five years from issue date and this information is stated on the letter that issues the exemption.

Please be advised that neither the statute nor the regulations require that the seller acquire a letter evidencing the E number for each and every transaction where the seller already has that information and other requirements are met. If a copy of the organization's letter evidencing its E number is already in your files, you do not have to make the purchaser produce a letter during each sale so long as the purchaser is representing the exempt organization and you are invoicing the exempt organization and not the individual.

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However, for a customer to just mention a school or exempt organization would be insufficient documentation of a tax-exempt transaction without fulfillment of the other conditions cited above.

I hope this information is helpful. The Department of Revenue maintains a Web site, which can be accessed at www.revenue.state.il.us. If you have further questions related to the Illinois sales tax laws, you may contact the Department's Taxpayer Information Division at (217) 782-3336.

If you are not under audit and you wish to obtain a binding Private Letter Ruling regarding your factual situation, please submit all of the information set out in items 1 through 8 of the enclosed copy of Section 1200.110(b).

Very truly yours,

Karl W. Betz
Associate Counsel

KWB:msk
Enc.